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MEMORANDUM FOR: Comptroller

SUBJECT : Control of Confidential Funds for
Transportation of ThingsREFERENCE : Staff Study dated 21 May 1964, same
subject.

1. PROBLEM

To determine the most effective and economical method of managing and controlling confidential funds for the transportation of things.

2. FACTS BEARING ON THE PROBLEM

- a. A single allotment for the transportation of things created from contributions provided for in the budgets of the various operating components is now made to the Office of Logistics. Procedures prescribe that commitments and expenditures for the transportation of things be obligated and recorded against the single allotment under the control of the Office of Logistics, and the contributing components are informed, by memorandum, of only the total cost of transportation charges attributable to their operations.
- b. Considerable delay is encountered, as was the case prior to establishment of the single allotment, in identifying charges, contained in billings received from other U. S. government agencies, with benefiting offices despite the fact that it was believed that through the use of a single allotment for transportation of things this delay would be eliminated.
- c. Procedures developed for the single allotment for the transportation of things have not corrected the belated recording of obligations as the BF Section of the Office of Logistics is not notified of many of the commitments which originate in the offices of contributing components until such time as a billing is received.
- d. The accumulation of costs at cost center levels appropriate for management is a requirement of the Financial Management Improvement Program which will become effective in the fiscal year 1960.

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3. DISCUSSION

- a. The procedures developed for the operation of the single allotment for the transportation of things have not resulted, as was originally believed, in an improvement in the establishment of obligations inasmuch as inadequacies of the issue and flow of documentation still exist and considerable difficulty is encountered in identifying payments of transportation charges to related obligations. This may be due in part, particularly with respect to the movement of household effects, to delaying the recording of the obligations until the receipt of a separate authorization form which initiates the actual movement of the household effects instead of recording the obligations based on the original approved committing documents, e.g. travel orders.
- b. It was believed that more reliable obligations could be established by the creation of a single allotment under the control of the Office of Logistics, as the documents used for establishing obligations were issued and maintained by the Office of Logistics. These documents consisted of the carrier's authority for the transportation showing the actual weights and volumes of the shipments, supported by the transportation rate schedules applicable thereto. Although this would seem to have been a good workable procedure, experience has indicated that numerous billings are received for which no obligations have been recorded. The failure to provide a complete recording of obligations is attributable principally to the lack of a control in the single allotment procedure to assure notification to the allottee of each shipment authorized. As an alternative to the single allotment procedure, it has been found that copies of shipping requests, showing actual weight or volume shipped, as well as rate schedules can be made available to the various operating components, which under a decentralized allotment could record obligations more timely and without any lessening of accuracy.
- c. The delay encountered in the processing of transportation invoices received from other U. S. government agencies is found to be due largely to the difficulty of relating invoices to obligations established for benefiting components. Under a decentralized allotment, each component could, upon establishing an obligation, forward to the Accounts Branch, Finance Division a copy of the

obligation document bearing a certification of availability of funds and citing the cost account number and obligation reference number. These obligation documents could then be used in the processing of invoices, and eliminate the need for requesting assistance from other agency components in identifying invoices. This would simplify and accelerate the invoice processing procedure.

- d. The referenced staff study recognized the problem of identifying billings to existing obligations and stated that this problem would be minimized by the establishment of a single allotment. Further, the study concluded that identification of charges to benefiting components was not essential. Notwithstanding this conclusion procedures were developed after establishment of the single allotment requiring identification of charges to the benefiting components at division levels. If the conclusions set forth in reference were correct and no need exists for identification of charges to benefiting components, a single cost center and the use of a single allotment would be appropriate. However, since it has been and still is considered essential to relate actual charges to the benefiting components, detailed records, supplementing those for the single allotment, are required.
- e. In order to comply with the present day requirements of accumulating cost data by designated cost centers, the current procedure, for informally notifying operating components of their total costs under the single allotment, is not easily adaptable to the Agency's overall system for reflecting costs formally to operating cost centers. The record form of expenditures, attributable to the various cost centers, for the transportation of things, should be compatible with the records of expenditures for other costs to the end that Agency cost data can be uniformly and efficiently accumulated for management at operating levels.
- f. The requirement under the proposed cost based budget procedures to distribute costs to all recognized cost centers would materially increase the workload of the BF Section of the Office of Logistics where transportation charges are currently being recorded manually. To accomplish an accurate and efficient distribution economically it would be almost a necessity that mechanized means be employed. Further,

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this increase in work would place a severe burden on the EF Section of the Office of Logistics.

4. CONCLUSIONS

- a. The decentralization of the allotment for transportation of things to operating components which budget for this cost would provide direct control over transportation of things charges and eliminate the requirement now existing for their re-identification to the budgeting components.
- b. Through decentralizing the transportation of things allotment, and by providing the various operating components with shipping requests showing weight information and with current transportation rates, more timely and accurate obligations could be established by the various allottees.
- c. Copies of obligation documents (Travel orders, shipping requests, etc.) showing funds availability, obligation reference numbers, and cost account symbols furnished to the Office of the Comptroller would permit ready identification of billings to obligations, as well as to benefiting components, thereby eliminating the time-consuming work of requesting assistance from other offices in securing authorization for an identification of billings.
- d. The decentralization of responsibility to control allotment of funds for transportation of things to the budgeting components would alleviate substantially the workload required by the single allotment for transportation of things in the EF Section of the Office of Logistics and should prevent the recurring development of serious back-logs in document processing.

5. RECOMMENDATIONS:

It is recommended that:

- a. The single allotment for transportation of things be discontinued and funds to cover transportation of things be included, beginning with fiscal year 1960, in the allotments made to organizational components.
- b. Procedures be developed, in sufficient detail, covering the issuance, flow, and recordation of documents for establishing obligations for transportation of things on allotment control records of all organizational components, and for the

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processing of billings related thereto, to provide for the elimination of deficiencies currently existing with respect to such activities.

- c. As of 30 June 1959, the Office of Logistics prepare inventory listings of the total outstanding unliquidated obligations covering transportation of things with breakdowns by organizational components and fiscal years. Each allottee be furnished with an original and two (2) copies of the list of obligations pertaining to his organizational segment together with the supporting documentation. Further, that allottees review the inventory lists, verify and/or insert the applicable cost center account number on copies of the listings, and record the outstanding obligations in their appropriate allotment control records. Copies of such listings, bearing certification by the allottees that such obligations have been incorporated in their allotment control records, shall be furnished to the Finance and Budget Divisions of the Office of the Comptroller. The copies of the lists will be used by the Budget Division and Finance Division to effect adjustments required in allotments and accumulated obligations on a decentralized basis; in addition, the copies of the lists furnished to the Finance Division will be used to identify transportation billings received relating to obligations incurred prior to 1 July 1958.
- d. Beginning with obligations incurred against 1960 fiscal year funds, organizational components furnish to the Office of the Comptroller, copies of obligating documents (Travel Orders for household effects, and Transportation Requests for cargo), covering transportation of things, bearing a certification of availability of funds, citing appropriate cost center accounts to be charged, and showing the Obligation Reference numbers.

SIGNED



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Concurrences and Approval Sheet
Staff Study - Dated 14 April 1959, Control of
Confidential Funds for Transportation of Things

Office of the Comptroller Concurrences:

<u>/s/</u> <u>Chief, Budget Division</u>	<u>4/15/59</u> <u>Date</u>	<u>/s/</u> <u>Chief, Finance Division</u>	<u>4/15/59</u> <u>Date</u>
<u>/s/</u> <u>Chief, Fiscal Division</u>	<u>4/15/59</u> <u>Date</u>	<u>/s/</u> <u>Chief, Technical Accounting Staff</u>	<u>4/15/59</u> <u>Date</u>
<u>/s/</u> <u>Chief, P.M.I. Staff</u>	<u>4/15/59</u> <u>Date</u>	<u>/s/</u> <u>Deputy Comptroller</u>	<u>4/29/59</u> <u>Date</u>

Other Concurrences:

For the Office of Logistics:

For the Deputy Director (Plans):

<u>/s/</u> <u>Director of Logistics</u>	<u>4/16/59</u> <u>Date</u>	<u>/s/</u> <u>SSA/DDP</u>	<u>4/27/59</u> <u>Date</u>
<u>/s/</u> <u>Chief, Support Staff</u> <u>Budget/Fiscal Branch</u>	<u>4/16/59</u> <u>Date</u>	<u>/s/</u> <u>SSA/DPS - (Comptroller)</u>	<u>4/27/59</u> <u>Date</u>

* Concur with understanding that allottees will request allotment adjustments required under paragraph 5c and that procedures will be developed to furnish the required information on a timely basis.

Action by Approving Authority:

Approved:

Date:

1 May 1959

Signed:

/s/

Comptroller

Distribution:

Orig. & 1 - Addressee
1 - C/Budget
1 - C/Finance
1 - C/Fiscal
1 - C/FMI
1 - Deputy Comptroller
1 - Office of Logistics
1 - SSA/DDS
1 - TAS Reading
1 - TAS Subject
1 - TAS Chrono
1 - Signers

TAS/CGJ/JKD:fmd (14 April 1959)